



Don Nickles, Chairman  
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The House Budget Committee held another hearing on waste, fraud, and abuse in government programs on Wednesday, July 9, with testimonies from four Inspectors General: Phyllis K. Fong of the Department of Agriculture, John P. Higgins, Jr. of the Department of Education, Dara Corrigan of the Department of Health and Human Services, and Kenneth M. Mead of the Department of Transportation all appeared before the Committee to speak about waste, fraud, and abuse in their respective agencies. This hearing served as a follow-up to the Committee's June hearing on waste, fraud, and abuse, with testimony from GAO Comptroller General David M. Walker.

The Office of the Inspector General in each agency is charged with uncovering innocent errors, carelessness, mismanagement, exploitation of the programs, malfeasance, and outright fraud: activities that cost taxpayers billions in lost and wasted dollars.

The Department of Transportation's Office of the Inspector General has attempted to do its part in identifying program improvements, cost avoidance opportunities, and direct cost savings to reduce program cost growth and ensure that transportation investments are worthwhile. From FY 1997 through the first half of FY 2003, the Inspector General's office made over \$6 billion in recommendations for fund transfers from inefficient programs to efficient programs within the Department, and it has questioned more than \$475 million in costs. DOT investigators also obtained more than \$260 million in fines, restitutions, and civil judgments — bringing funds back to the U.S. Treasury or to affected programs. Mr. Mead's testimony focused on opportunities he has identified to use funds more efficiently and effectively, to avoid unnecessary cost increases, and to reduce costs in programs such as the Federal Highway Administration (FHWA) and Federal Transit Administration (FTA) grants to States and localities; the Federal Aviation Administration (FAA) operation, maintenance, and acquisition programs; and the Maritime Administration's (MARAD) Title XI Loan Guarantee Program.

According to Dara Corrigan, Acting Principal Deputy Inspector at HHS General, the Medicare and Medicaid programs are particularly vulnerable to waste, fraud and abuse because of their sheer size. Combined, they constitute the largest single purchaser of health care in the world, with FY 2003 projected federal outlays of more than \$435 billion. Both programs have inherent risks not only because of their high outlays, but also because of their complex reimbursement rules and decentralized operations. Corrigan focused specifically on fraudulent problems within Medicare such as prescription drugs, medical equipment and supplies, Medicare contractors, and other examples such as cancer treatments, nerve conduction tests, and lab tests. Also, she touched on the Medicaid program's areas that exhibit high opportunity for waste, fraud and abuse, such

as prescription drug pricing and drug rebates (specifically brand name drugs, generic drugs, multi-tiered pharmacy reimbursement systems, and drug rebates), upper payment limits, disproportionate share hospital payments. She also discussed remedial measures that HHS is taking to ensure these fallacies not be repeated in the future, including the Health Care Fraud and Abuse Control Program and State Medicaid Audit Partnership.

USDA's Office of Inspector General has been in operation for more than 40 years, performing audits and investigations of the Department's more than 300 programs and operations, recommending policies and reforms to promote economy and efficiency, and preventing and detecting fraud, waste, and abuse. USDA has about 70 mandatory spending programs. For FY 2003, these mandatory programs amounted to approximately \$67.8 billion, or 64 percent of the USDA's total budget. Inspector General Phyllis K. Fong focused her testimony on those programs that comprise a significant portion of USDA's program levels, in both dollars and participants, and that contain OIG-identified management challenges for USDA. The programs Ms. Fong addressed are the major food assistance programs (Food Stamp and National School Lunch and Breakfast Programs); farm programs (including conservation); and crop insurance programs. Between fiscal years 1996 and 2002, OIG conducted 509 audits and 3,492 investigations in these programs. Their audits identified about \$751 million in questionable expenditures and \$466 million in potential program savings. Their investigations recovered more than \$497 million.

The Department of Education each year is required to provide to the Office of Management and Budget (OMB) erroneous and improper payment estimates. In 2002 the Department reported \$401 million for student financial assistance programs. DOE provides a fiscal review in its Semiannual Reports to Congress. For the last five and a half years (October 1, 1998 through March 31, 2003), DOE reported more than \$182 million in questionable and disallowed costs in its audits of student financial assistance programs. During the same period, DOE reported that its investigations in these programs resulted in restitutions, criminal fines, and civil actions totaling more than \$152 million.

Sixteen other departmental inspectors general who were not present at the hearing submitted written testimonies. For insight into these testimonies, check out the House Budget Committee's website at <http://www.house.gov/budget/hearings.htm>. Also, the House Ways and Means Committee held a hearing July 18 on waste, fraud, and abuse within government agencies, with testimony from GAO Comptroller David M. Walker testifying. To read this testimony, go to the Ways and Means website at <http://waysandmeans.house.gov/>.

Source: testimonies from Dara Corrigan, Acting Deputy Inspector General for HHS; Kenneth M. Mead, Inspector General of the Department of Transportation; Phyllis K. Fong, Inspector General of the Department of Agriculture; and John P. Higgins, Jr., Inspector General of the Department of Education.